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Number 61

REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

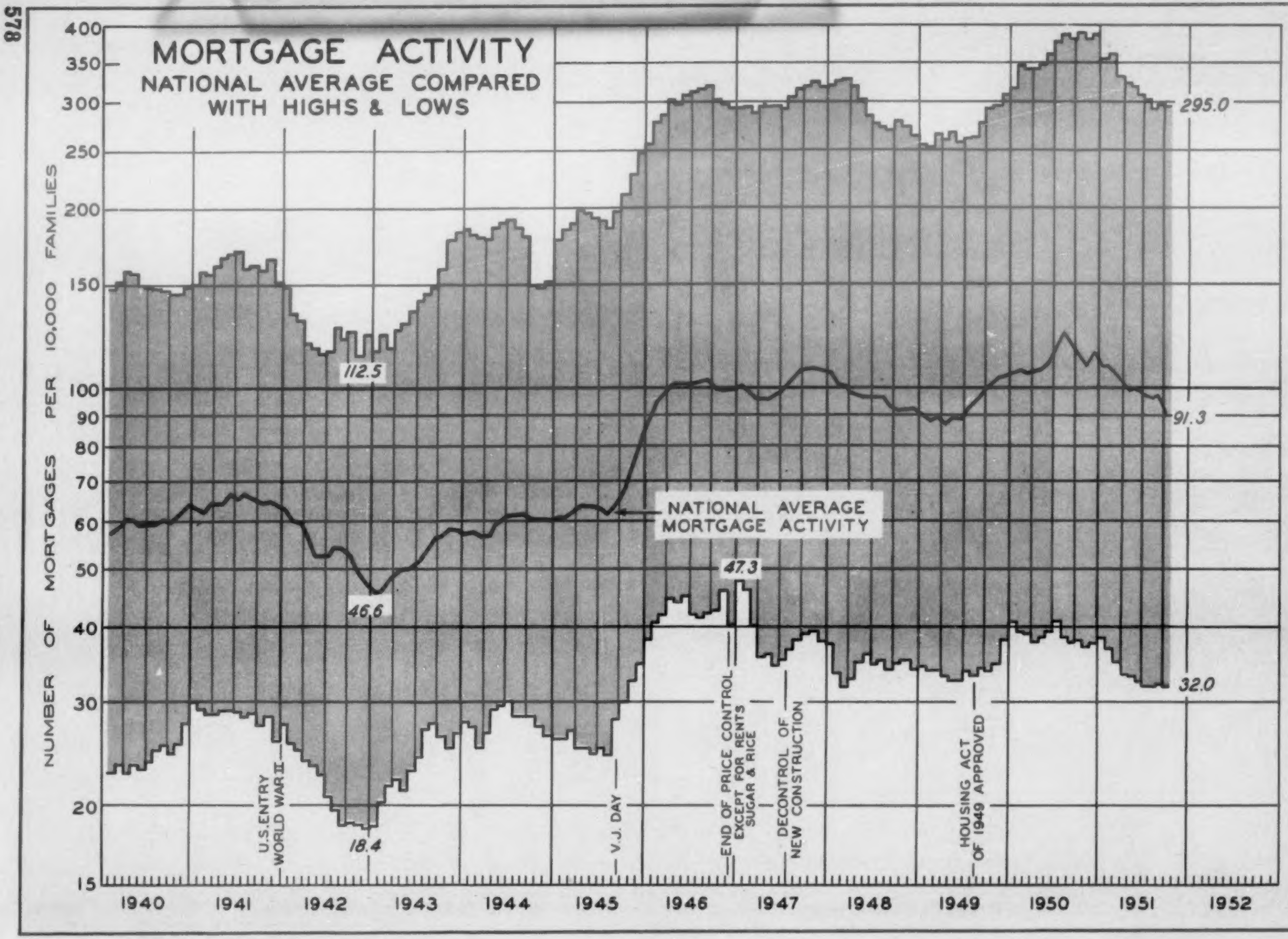
THE number of mortgages per 10,000 families for 70 cities of the United States is charted month by month from 1940 to the present on pages 579 through 585. On each of these charts the blue line shows the mortgage activity in the particular city or county and the red line shows the average of the 70 charts.

Even a rapid comparison of the 70 charts will show that there is a wide difference in the number of mortgages per 10,000 families in different cities. In Boston, for instance, at the present time there are 38.4 new mortgages recorded per month for each 10,000 families, while nationally we are averaging 109.5. In contrast, in Miami (Dade County), Florida, recordings are running 284.2 per 10,000 families, and in Los Angeles, they are running 359.9. Why these striking differences? The first explanation which comes to mind is the difference in the percentage of families living in multifamily buildings. In Boston, Chicago, Pittsburgh, Philadelphia and New York, the relationship of mortgages to families is quite low. These are all cities having large multifamily real estate developments. A single mortgage in New York may provide housing for hundreds of families, while in Tucson, Arizona, in almost all cases a mortgage will provide for a single family only.

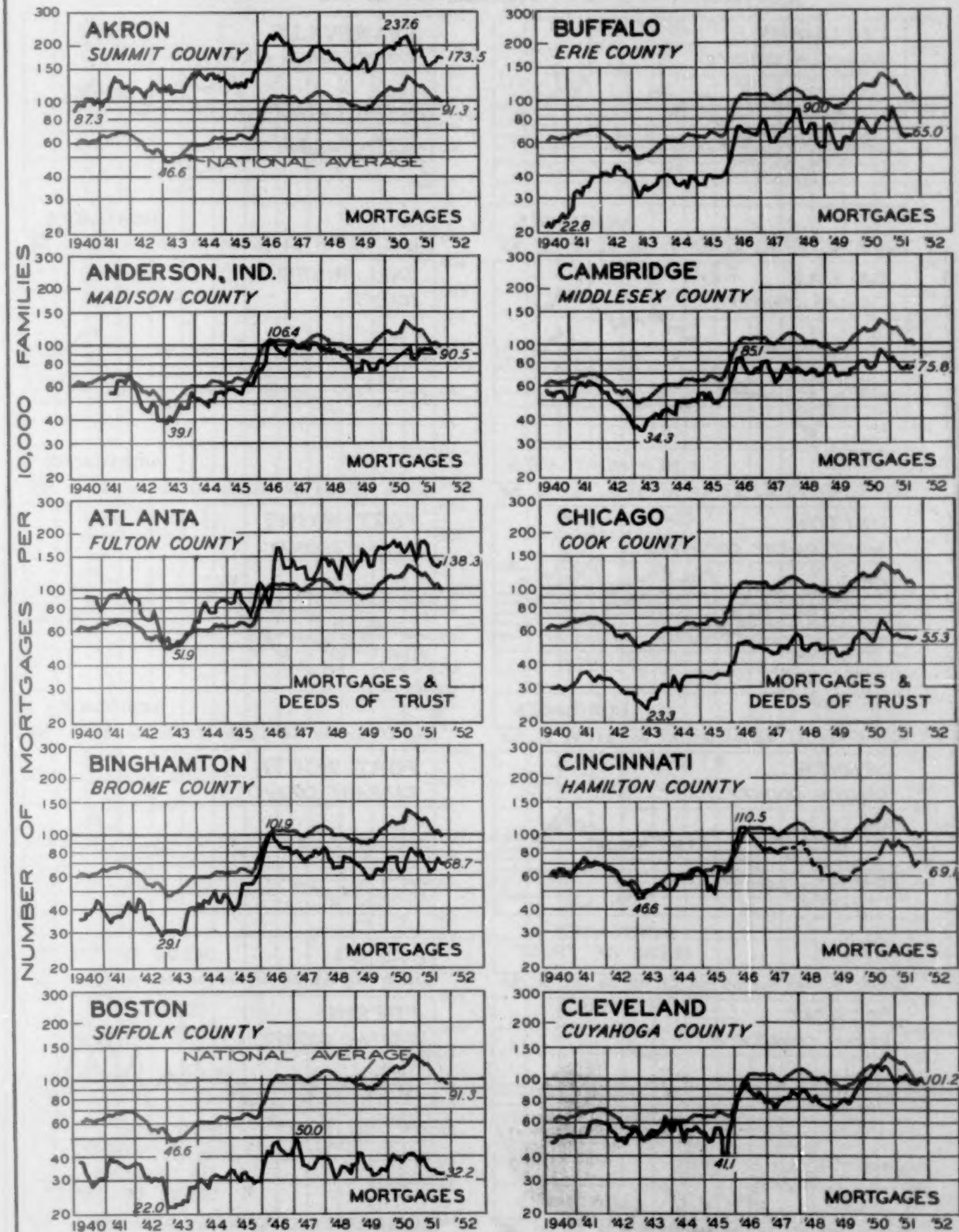
Another reason for the difference in the rate of mortgage activity in various cities is the maturity of older cities with real estate tending to get into strong hands and with speculative activity at a minimum. In contrast, the newer, rapidly growing cities all have a great deal of speculative building, generally financed on a shoestring, with some single-family dwellings carrying more than one mortgage.

Mortgage activity has been declining in the United States since August 1950, with only minor interruptions. The decline has affected almost all cities. Of the cities charted, only three at the present time have a degree of mortgage activity higher than August 1950. These three cities are New Bedford, Massachusetts, 7.9% above August 1950; Tucson, Arizona, 7.5% above; and Fort Worth, Texas, 2.9% above. Sixty-four cities have percentages below August 1950, varying from Fall River, Massachusetts, 2.8% below August 1950, to Oklahoma City, 40.8% below. There is no definite pattern in the percentage of drop. Geographically, some of the cities with the large drops are in the Southwest, the West, the North-

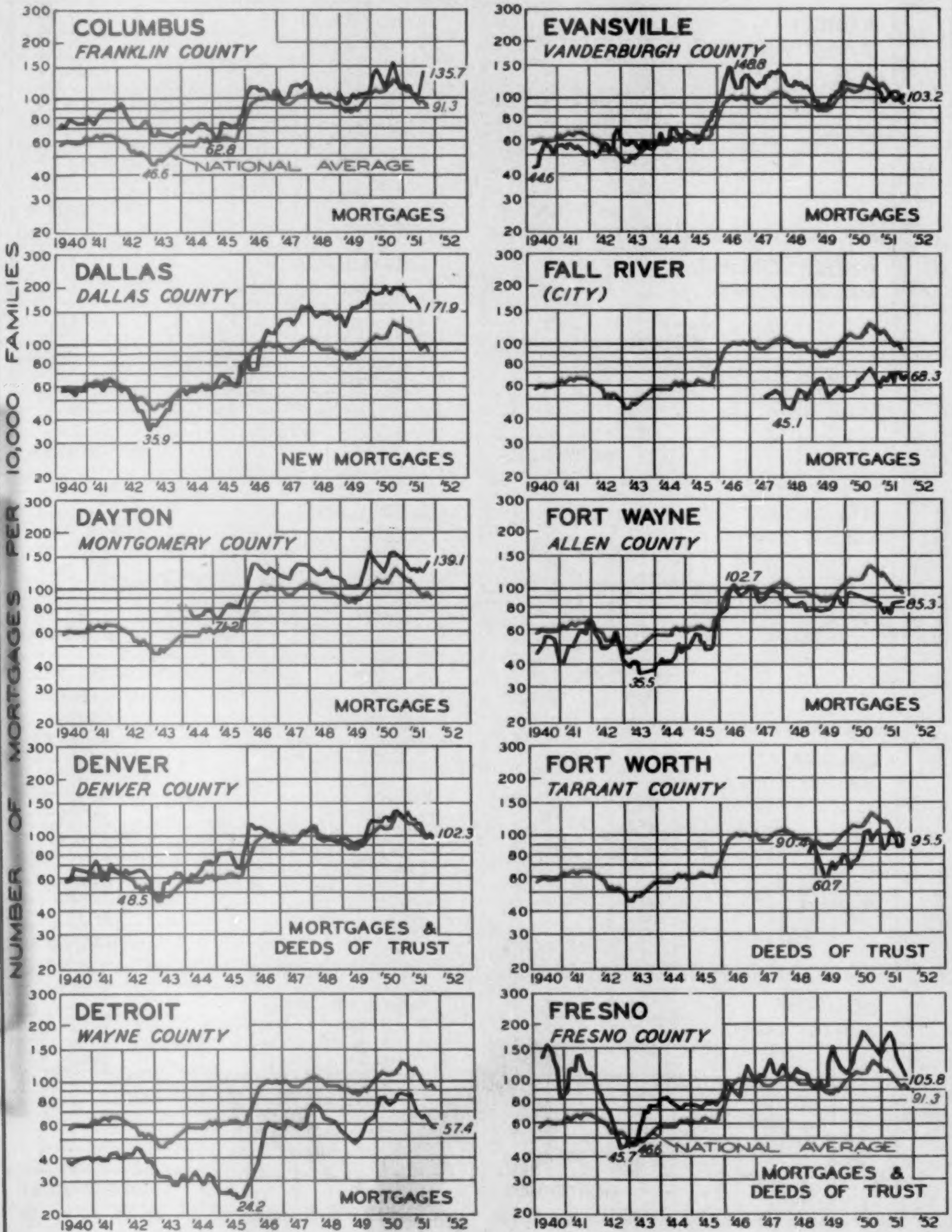
(cont. on page 586)


MORTGAGE ACTIVITY
NATIONAL AVERAGE COMPARED
WITH HIGHS & LOWS
NUMBER OF MORTGAGES PER 10,000 FAMILIES
400
350
300
250
200
150
100
90
80
70
60
50
40
30
20
15
1940
1941
1942
1943
1944
1945
1946
1947
1948
1949
1950
1951
1952
295.0
112.5
91.3
NATIONAL AVERAGE
MORTGAGE ACTIVITY
47.3
46.6
32.0
18.4
U.S. ENTRY
WORLD WAR II
V.J. DAY
END OF PRICE CONTROL
EXCEPT FOR RENTS
SUGAR & RICE
DECONTROL OF
NEW CONSTRUCTION
HOUSING ACT
OF 1949 APPROVED

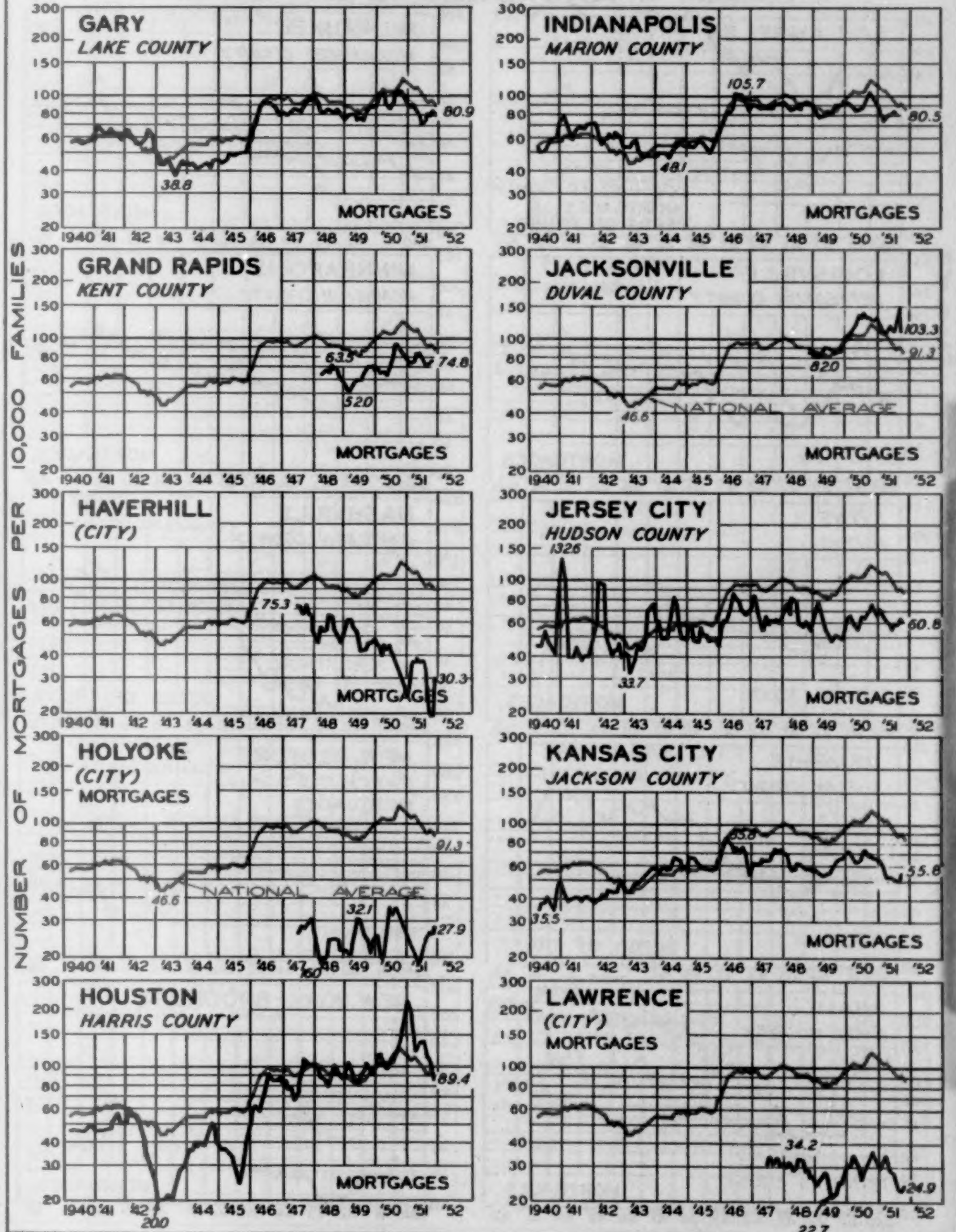
MORTGAGE ACTIVITY IN PRINCIPAL CITIES

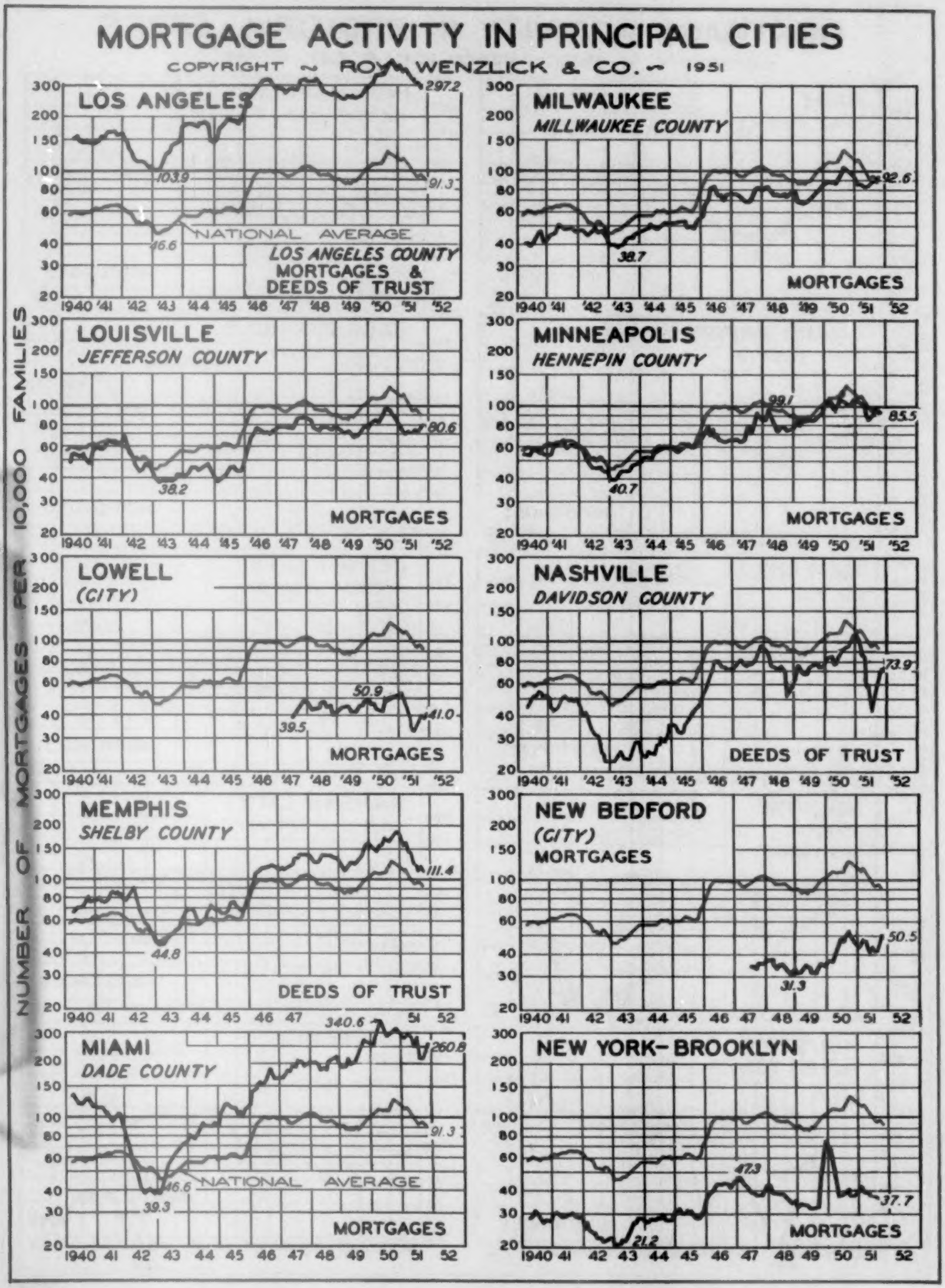


MORTGAGE ACTIVITY IN PRINCIPAL CITIES



MORTGAGE ACTIVITY IN PRINCIPAL CITIES




MORTGAGE ACTIVITY IN PRINCIPAL CITIES
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NUMBER OF MORTGAGES PER 10,000 FAMILIES
LOS ANGELES
LOS ANGELES COUNTY MORTGAGES & DEEDS OF TRUST
NATIONAL AVERAGE
297.2
103.9
91.3
46.6
MILWAUKEE
MILLWAUKEE COUNTY
MORTGAGES
38.7
92.6
LOUISVILLE
JEFFERSON COUNTY
MORTGAGES
38.2
80.6
MINNEAPOLIS
HENNEPIN COUNTY
MORTGAGES
40.7
99.1
85.5
LOWELL
(CITY)
MORTGAGES
39.5
50.9
41.0
NASHVILLE
DAVIDSON COUNTY
DEEDS OF TRUST
73.9
MEMPHIS
SHELBY COUNTY
DEEDS OF TRUST
44.8
111.4
NEW BEDFORD
(CITY)
MORTGAGES
31.3
50.5
MIAMI
DADE COUNTY
MORTGAGES
NATIONAL AVERAGE
340.6
260.8
91.3
46.6
39.3
NEW YORK-BROOKLYN
MORTGAGES
21.2
47.3
37.7

MORTGAGE ACTIVITY IN PRINCIPAL CITIES

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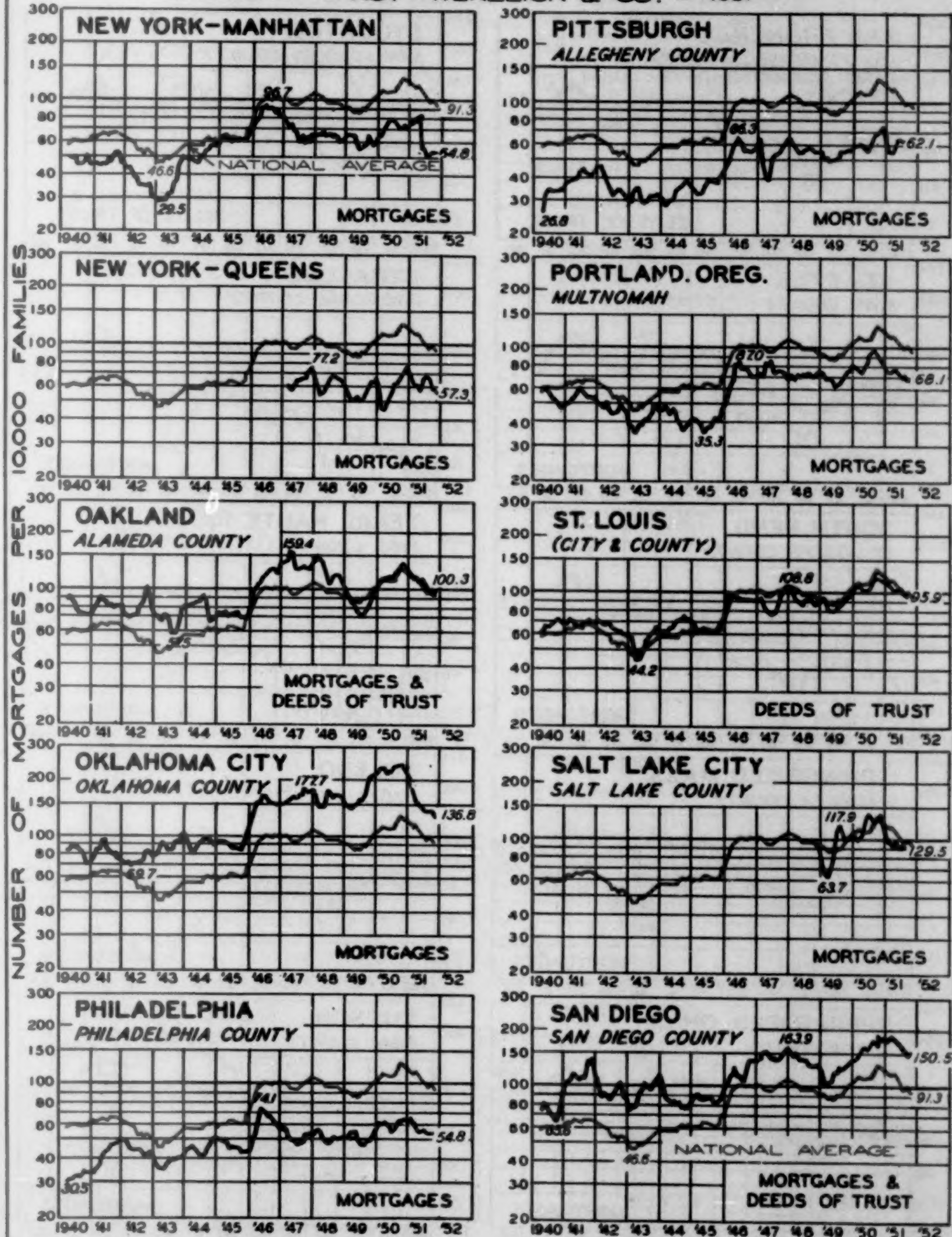
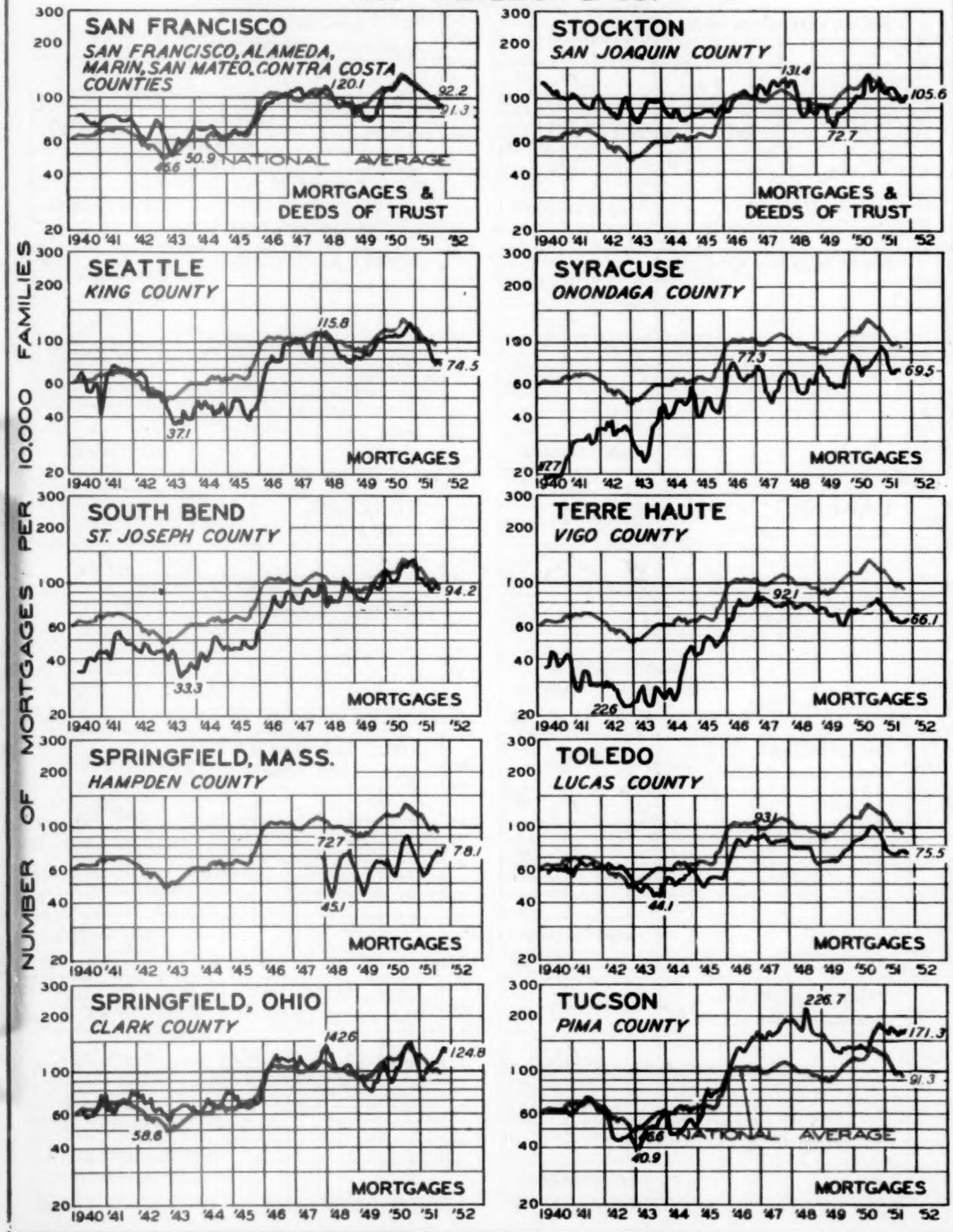


MORTGAGE ACTIVITY IN PRINCIPAL CITIES



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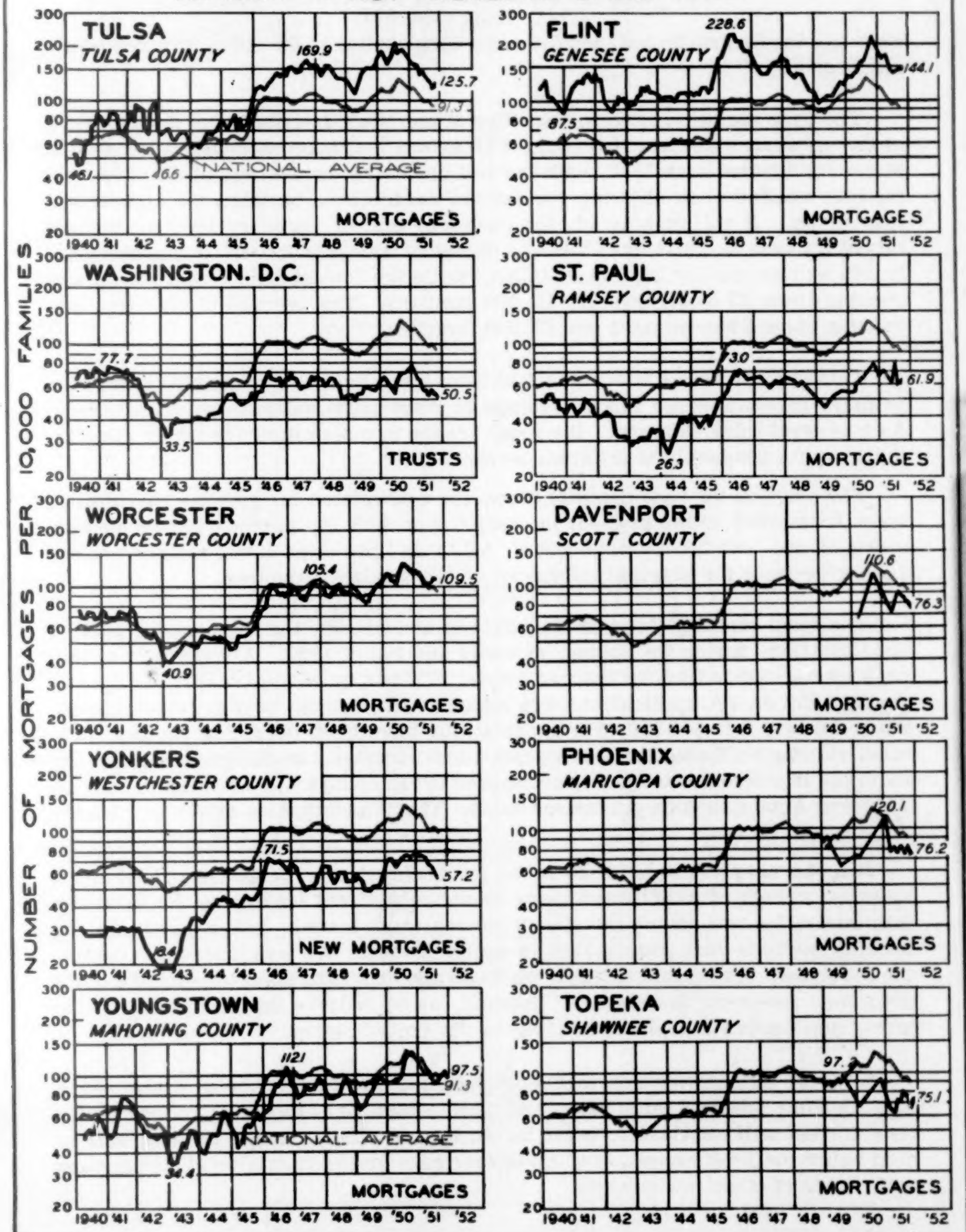


MORTGAGE ACTIVITY DROPPING

(cont. from page 577)

west and the Central States, and the same thing applies to the cities with relatively slight drops.

The wide variation between the cities in mortgage activity is not a peculiarity of the present. The chart on page 578 shows mortgage activity in the United States by months since 1940, with the red line being the average of all cities and the blue shaded area showing the spread each month between the highest and lowest city. It will be noticed, for instance, that in February 1940 the highest city of the ones we chart was showing a degree of mortgage activity of approximately 145 mortgages per 10,000 families, while the lowest city in that month was running about 23 mortgages per 10,000 families. The average of all cities was running about 58 mortgages per 10,000 families.

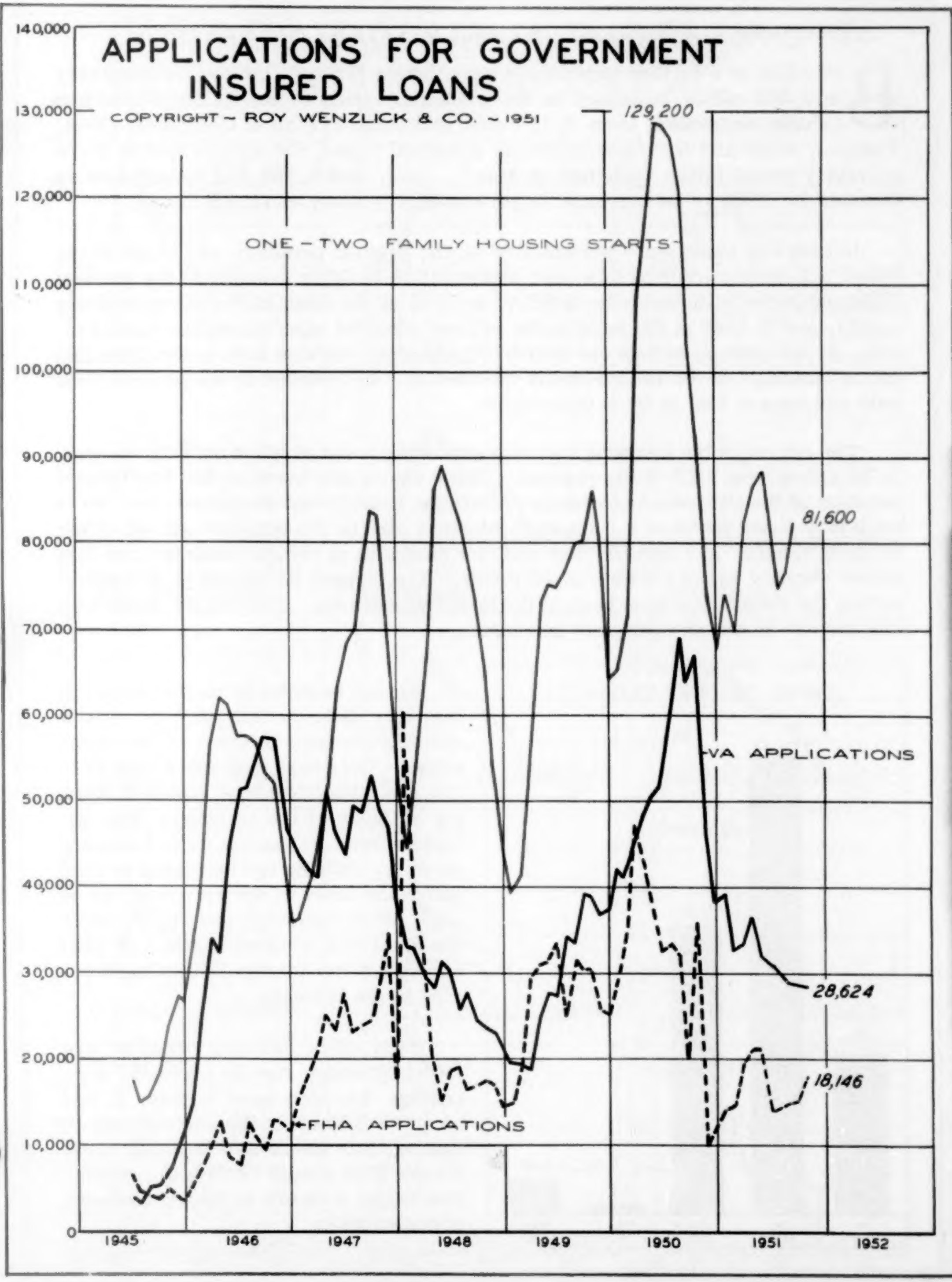
This spread makes it advisable to have local figures if possible, and is the primary reason that our reports attempt to chart individually the principal cities. As a general thing, however, the rough trends in most cities are fairly similar, though quite frequently at different levels.

The chart on the page opposite shows the applications for government-insured loans from 1945 to the present in comparison with the number of new housing starts in one- and two-family houses. All three lines show actual figures without any corrections for seasonal influences or for population changes.

The most striking thing on the chart is undoubtedly the tremendous peak of housing starts during the spring, summer and fall of 1950. A large part of this peak was accounted for by insured loans. This is quite apparent if the figures during 1950 on VA applications are added to the figures on FHA applications. Since the late fall of 1950, VA applications have been declining rapidly, primarily because of the fact that the Veterans Administration is unwilling to recognize the increase in interest rates and is committed to "no change" in the interest rate on Veterans Administration guaranteed loans. The same situation exists to a lesser degree with FHA's.

It looks very much to us as if the government may be getting itself into a situation in regard to veterans loans where only direct lending by the Veterans Administration will satisfy the clamor for mortgage loans at low rates of interest for long periods with practically no equity money. We would strongly oppose the movement now on foot to allow the Veterans Administration to lend 20% of its insurance reserves on veterans' housing, as we believe that it constitutes one more step toward socialized housing in the United States.

It is our firm conviction that mortgage interest rates should be allowed to rise as other interest rates have, and that a shortage of mortgage money in any free market will continue to exist for so long as the mortgage interest rate is held below the level necessary to make mortgage yields attractive in comparison with yields of other investments.



APPLICATIONS FOR GOVERNMENT INSURED LOANS
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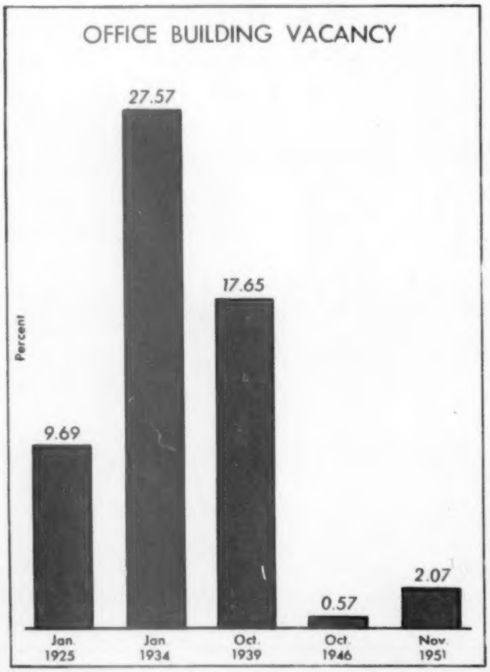
129,200
ONE – TWO FAMILY HOUSING STARTS
81,600
VA APPLICATIONS
28,624
18,146
FHA APPLICATIONS
140,000
130,000
120,000
110,000
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
1945
1946
1947
1948
1949
1950
1951
1952

OFFICE BUILDING VACANCY AGAIN DECREASES

BECAUSE of a further increase in government tenancy, the over-all vacancy in 2,506 office buildings in the principal cities of the United States and Canada decreased from 2.19% last May to 2.07% as of October 1, 1951. Federal, State and local governments occupied 7,540,950 square feet in these privately owned office buildings on May 1, 1951, and 8,387,622 square feet on October 1. This is an increase in government tenancy of 11.2%.

In order to show more perspective on the general problem, the chart in the lower left-hand corner of this page shows office building vacancy at the present time compared with vacancy in 1925, in 1933 at the peak of the office building crisis, and in 1945 at the point in the recovery period when vacancies were lowest. At the peak more than one-fourth (27.5%) of all rentable area in the principal office buildings of the United States was vacant. In contrast at the present time only one square foot in 50 is unoccupied.

The charts on the following four pages show the trend of office building vacancy in 56 cities from 1925 to the present. These charts are based on the semiannual surveys of the National Association of Building Owners and Managers taken as of each May 1 and October 1. On each of these charts the blue line shows office building vacancy in a specific city and, for purposes of comparison, the red line shows vacancy in the average of all cities. The largest increases in occupancy during the recent past have been in the New England area. The Pacific Southwest ran second in the percentage of increase.

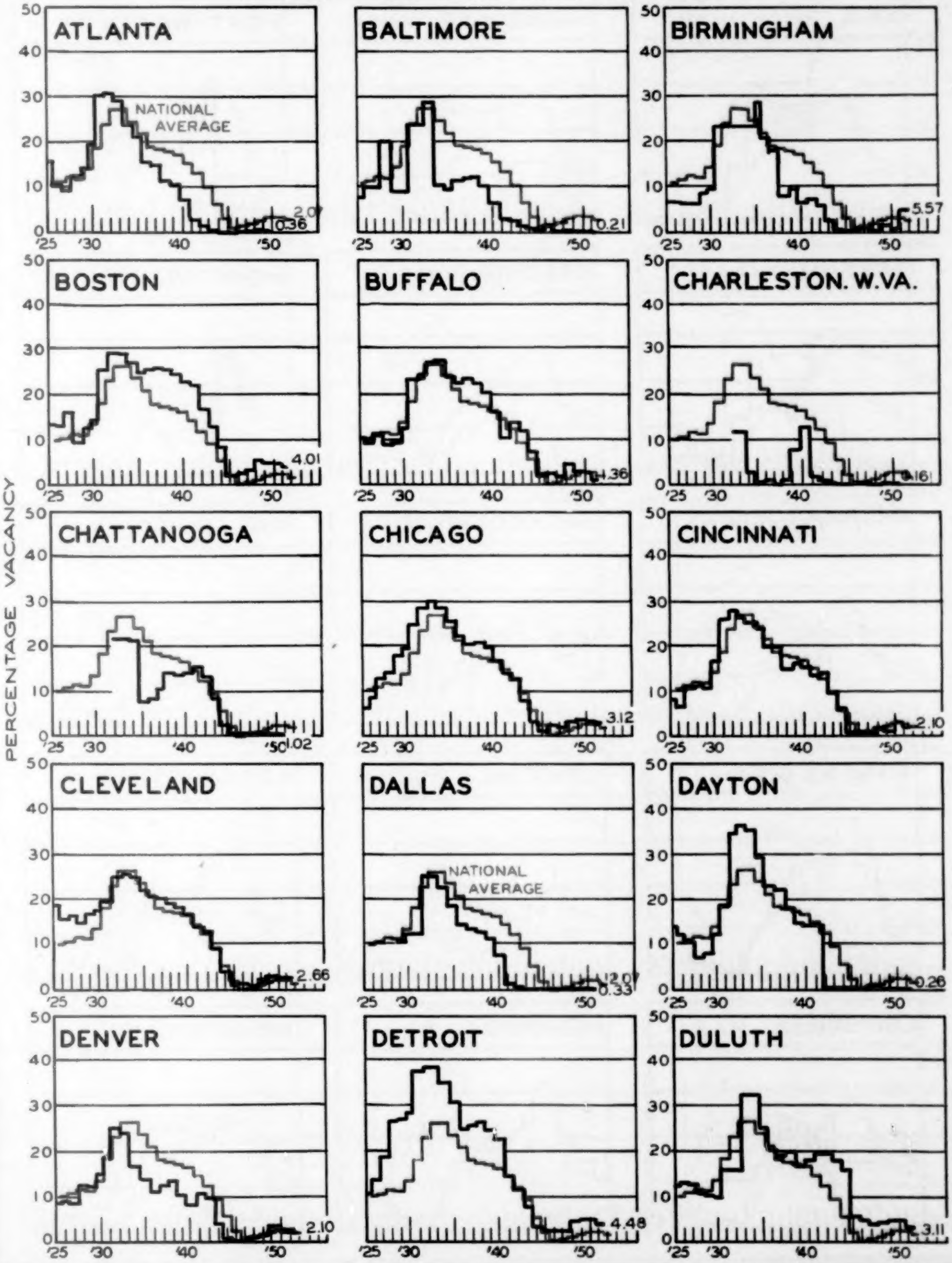


As can be seen from these charts there is still practically no office building vacancy in most of the large cities. Only in a very few cities have any new office buildings been built since the collapse of the thirties. The obvious reason is that the cost of building an office building has increased by 108% above the level of the twenties, when most office buildings were built, while the level of operating income is still 10% below the average of this same period in the twenties.

Until office building rents on existing buildings rise by a greater percentage than they have to date, it will be quite difficult in the average city to demonstrate that a new building could secure high enough rentals in competition to pay a return on the current cost of construction.

OFFICE BUILDING VACANCY IN PRINCIPAL CITIES

CHARTED BY ROY. WENZLICK & CO. FROM DATA FURNISHED BY THE NATIONAL ASSOCIATION OF BUILDING OWNERS & MANAGERS



OFFICE BUILDING VACANCY IN PRINCIPAL CITIES

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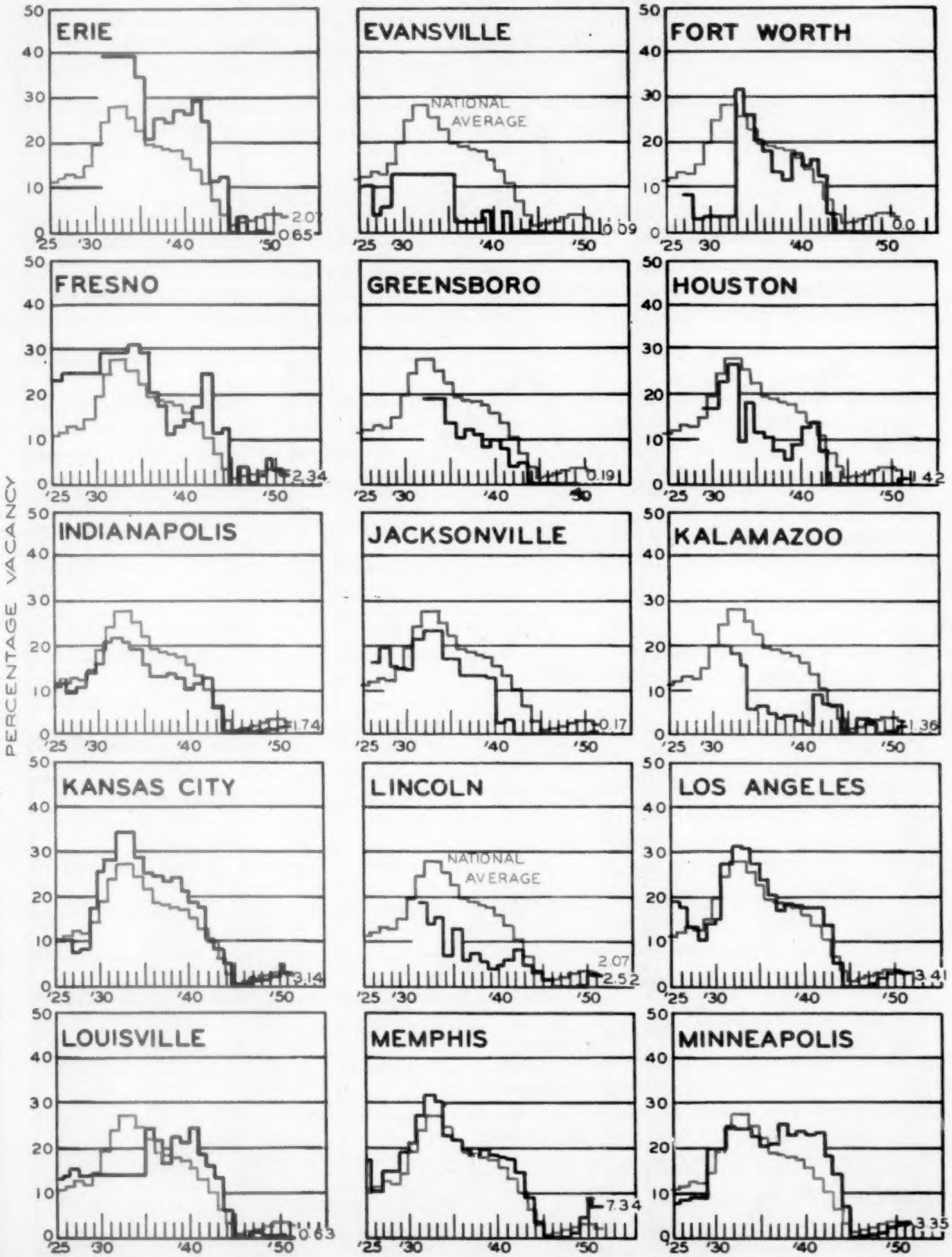
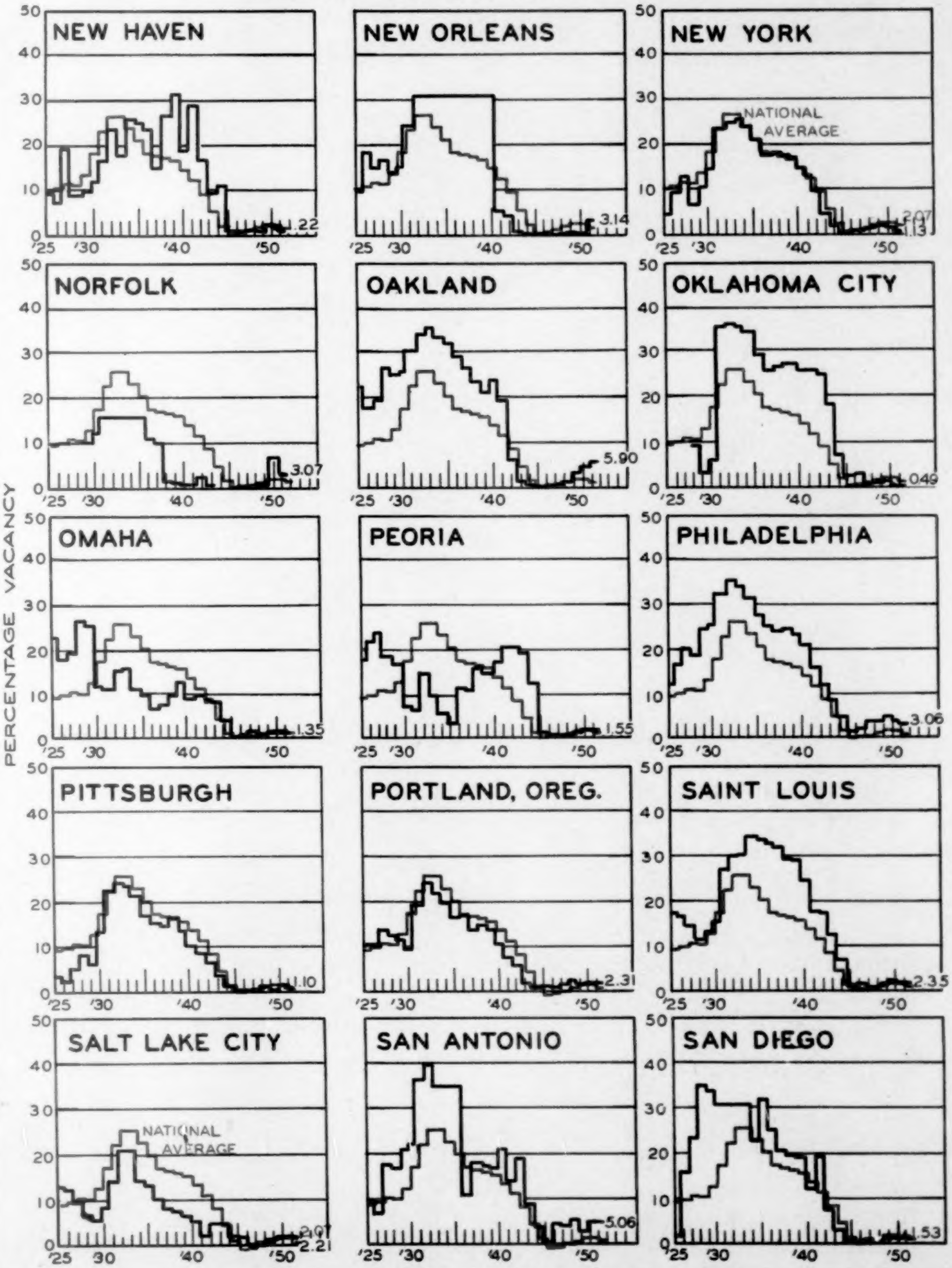


OFFICE BUILDING VACANCY IN PRINCIPAL CITIES



OFFICE BUILDING VACANCY IN PRINCIPAL CITIES